

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 5/21/2013	(3) CONTACT/PHONE Leslie Brown, Administrative Analyst 805-781-5011	
(4) SUBJECT: Submittal of the Fiscal Year 2012-13 Third Quarter Financial Report.			
<p>(5) RECOMMENDED ACTION</p> <p>It is recommended that the Board of Supervisors: 1) receive, review, and file the Fiscal Year 2012-13 Third Quarter Financial Report; 2) accept cash donations in a total amount of \$54,226.03 on behalf of Animal Services, Department of Social Services (DSS), Parks, and Library, and approve associated adjustments as outlined in Section 4 of the FY 2012-13 Third Quarter Financial Report; 3) approve requests by DSS and the Public Works Department for relief from accountability for uncollectable debt in the amounts of \$66,849.16 and \$5,133.94 respectively, as outlined in Section 4 of this report; 4) approve a budget adjustment in the amount of \$50,000 using General Fund contingencies to fund unanticipated expenditures related to a capital murder trial in FC 135–Public Defender; 5) approve a budget adjustment in FC 181- Foster Care and Adoptions to increase expenditure appropriation by \$286,538 to be funded by unanticipated realignment revenue; 6) approve a budget adjustment in FC 185-General Assistance to increase expenditure appropriation by \$110,259 to be funded by unanticipated Supplemental Security Income reimbursements; 7) amend the Fixed Asset List for the Sheriff's Office to include a software interface in the amount of \$19,130; 8) approve a budget adjustment financed by the Inmate Welfare Trust Fund in the amount of \$35,551 for the camera project in FC 136–Sheriff-Coroner and amend the Fixed Asset List to add a server and storage for the camera surveillance system for the Sheriff's Office in the amount of \$35,014; 9) approve a budget adjustment to approve the use of the California Law Enforcement Equipment Program funding in the amount of \$31,280 to cover the Records Management System (RMS) upgrade in FC 136–Sheriff-Coroner and amend the Fixed Asset List to add the RMS upgrade in the amount of \$35,752; 10) approve a budget adjustment in the amount of \$133,611 using Public Facilities Fee -Library collected during FY 2012-13 to make the annual loan payment, and increase the Designated Fund Balance-Library Cambria in the General Government Building Replacement Fund by a corresponding amount; 11) amend the Fixed Asset List for Fund Center 109 -Assessor to add software in the amount of \$30,000 to integrate the County's Arc GIS Database into the Assessor's Assessment Evaluation Services software; 12) approve a request from the General Services Agency to declare 14 vehicles as surplus, authorize their removal from the County fleet, and authorize their sale to recover salvage value in accordance with County Code; and sitting as the Board for the San Luis Obispo Flood Control and Water Conservation District, approve a budget adjustment in the amount of \$50,000 to transfer funds from the San Luis Obispo County Flood Control and Water Conservation District Reserves to Flood Control Fund 19 to cover the cost of additional staffing efforts on the Groundwater Management Plan for the Paso Robles Groundwater Basin. Recommendations 2 through 11 and 13 require a 4/5th vote.</p>			
(6) FUNDING SOURCE(S) General Fund Contingencies	(7) CURRENT YEAR FINANCIAL IMPACT \$50,000	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
<p>(10) AGENDA PLACEMENT</p> <p><input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input checked="" type="checkbox"/> Board Business (Time Est. <u>30 min</u>)</p>			
<p>(11) EXECUTED DOCUMENTS</p> <p><input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A</p>			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: too many to list <input checked="" type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW The Administrative Office prepared this item.			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Leslie Brown, Administrative Office
805-781-5011

DATE: 5/21/2013

SUBJECT: Submittal of the Fiscal Year 2012-13 Third Quarter Financial Report.

RECOMMENDATION

It is recommended that the Board of Supervisors:

1. Receive, review, and file the Fiscal Year 2012-13 Third Quarter Financial Report;
2. Accept cash donations in a total amount of \$54,226.03 on behalf of Animal Services, Department of Social Services, Parks, and Library, and approve associated adjustments as outlined in Section 4 of the FY 2012-13 Third Quarter Financial Report;
3. Approve requests by the Department of Social Services and Public Works Department for relief from accountability for uncollectable debt in the amounts of \$66,849.16 and \$5,133.94 respectively, as outlined in Section 4 of the FY 2012-13 Third Quarter Financial Report;
4. Approve a budget adjustment in the amount of \$50,000 using General Fund contingencies to fund unanticipated expenditures related to a capital murder trial in FC 135 – Public Defender;
5. Approve a budget adjustment in FC 181- Foster Care and Adoptions to increase expenditure appropriation by \$286,538 to be funded by unanticipated realignment revenue;
6. Approve a budget adjustment in FC 185- General Assistance to increase expenditure appropriation by \$110,259 to be funded by unanticipated Supplemental Security Income (SSI) reimbursements;
7. Amend the Fixed Asset List for the Sheriff's Office to include a software interface in the amount of \$19,130;
8. Approve a budget adjustment financed by the Inmate Welfare Trust Fund (IWF) in the amount of \$35,551 for the camera project in FC 136 – Sheriff-Coroner and amend the Fixed Asset List to add a server and storage for the camera surveillance system for the Sheriff's Office in the amount of \$35,014;
9. Approve a budget adjustment to approve the use of the California Law Enforcement Equipment Program (CLEEP) funding in the amount of \$31,280 to cover the Records Management System (RMS) upgrade in FC 136 – Sheriff-Coroner and amend the Fixed Asset List to add the RMS upgrade in the amount of \$35,752;
10. Approve a budget adjustment in the amount of \$133,611 using Public Facilities Fees - Library collected during FY 2012-13 to make the annual loan payment, and increase the Designated Fund Balance - Library Cambria in the General Government Building Replacement Fund by a corresponding amount;
11. Amend the Fixed Asset List for Fund Center 109 - Assessor to add software in the amount of \$30,000 to

integrate the County's Arc GIS Database into the Assessor's Assessment Evaluation Services (AES) software;

12. Approve a request from the General Services Agency to declare 14 vehicles as surplus, authorize their removal from the County fleet, and authorize their sale to recover salvage value in accordance with County Code Section 2.36.030(5); and

Sitting as the Board for the San Luis Obispo Flood Control and Water Conservation District

13. Approve a budget adjustment in the amount of \$50,000 to transfer funds from the San Luis Obispo County Flood Control and Water Conservation District Reserves to Flood Control Fund 19 to cover the cost of additional staffing efforts on the Groundwater Management Plan for the Paso Robles Groundwater Basin.

Recommendations 2 through 11 and 13 require a 4/5th vote.

DISCUSSION

Overview

This report is intended to provide the Board of Supervisors and the public with an overview of the County's financial performance through the third quarter of Fiscal Year 2012-13. The financial report presented to the Board contains exception reporting (i.e. no mention is made if the financial status of the fund center is within expected parameters). This Financial Report contains an overview of the drivers behind the significant variance between budgeted and actual use of General Fund dollars in the third quarter time frame of January 1, 2013 through March 31, 2013. It also contains information on the status of enplanements at the Airport, a list of personnel changes approved by the Board during the third quarter of the fiscal year, a listing and status of capital projects managed by the General Services Agency and the Public Works Department, and an update on the County's debt.

The report is divided into six sections:

- **Section 1** - provides an overview of the County's financial position at the end of the third quarter, as well as brief summaries of noteworthy departmental fiscal and operational issues.
- **Section 2** - provides a big picture analysis of third quarter revenue receipts by category (e.g., taxes, charges for services, etc.) and fund (e.g., General Fund, Road Fund, etc.) as well as a review of contingency, designation and reserve activity.
- **Section 3** - provides a summary of all personnel changes approved by the Board of Supervisors during the third quarter.
- **Section 4** - provides a summary of miscellaneous financial items for the Board's consideration, such as requests from departments for acceptance of gift funds and donations, discharge of bad debt, and miscellaneous budget adjustments (details are provided in Attachments 2 - 4).
- **Section 5** - provides an update on the capital improvement projects managed by the General Services Agency and Public Works Department (details are provided in Attachment 6).
- **Section 6** - Provides the annual Debt Review from the Auditor-Controller. The report confirms that the County is in compliance with legal debt limitations and comments on the County's overall debt. (See Attachment 7 for a memo from the Auditor Controller).

Executive Summary

The overall spending levels and revenue receipts at the end of the third quarter for FY 2012-13 were generally consistent with the third quarter of FY 2011-12. General Fund expenditures were 65% of budget, while General Fund revenues were realized at 59% of budget. This level of realization of revenue is typical for the third quarter due to the time lag involved in billing cycles and receipt of reimbursements. Some of the largest revenue sources, such as property taxes, are realized closer to the end of the fiscal year.

Items of note in the third quarter:

Variances noted last quarter or that have emerged as of the third quarter are noted below.

Public Defender

In the second quarter report, your Board was asked to approve a budget adjustment of \$550,000 from General fund contingencies to offset unbudgeted expenditures associated with a multiple-defendant murder case. At the time the second quarter report was prepared, staff projected that this additional \$550,000 would be sufficient to cover unbudgeted costs for the remainder of the fiscal year. However, as of the end of the third quarter staff now estimates that Public Defender expenditures may end the year approximately \$50,000 over the adjusted budget. This is primarily due to additional unbudgeted expenses incurred in another recent murder case. Expenditures for murder cases, especially those involving a question regarding the mental competency of the defendant, can be unusually expensive. A budget adjustment of \$50,000 is requested to help ensure the Public Defender budget has sufficient appropriation to see it through to the end of the fiscal year. Additional information can be found in Section 1 of the report (Attachment 1).

Health Agency - Behavioral Health

Each year the State audits Medi-Cal claims that were submitted by the County in previous years. Typically these audits are done on claims that were submitted four years prior to the time of the audit. The purpose of these audits is to validate that the claims are equal to the actual cost to deliver eligible services, up to the State imposed maximum amount. The Health Agency has recently received the results of the State's audit of County Medi-Cal claims for mental health services provided in FY 2008-09. As the Health Agency expected, a portion of these claims (approximately 14%) were disallowed because they exceeded the actual cost to provide the service. The total amount overpaid to the County by the Federal Government is approximately \$1.86 million out of a total of \$13.1million claimed for that fiscal year.

Until FY 2012-13, Behavioral Health has claimed for mental health Medi-Cal services at the State's maximum allowed rate of \$2.61 per minute. The State only permits the County to claim at one rate, so if the actual cost for services from some providers was less, the County was unable to claim for the services provided at the lower level. The State maximum allowed rate is effectively a cap on the amount of Federal funds that counties can claim for Medi-Cal eligible services. This maximum allowed rate is approximately 65% lower than the actual cost for the County to deliver these services, but higher than the actual cost for services delivered by some community based organizations.

Knowing that a portion of the claims submitted for work done by these community based organizations would be overpaid by the Federal Government, the Health Agency has set aside funds in a contingent liability account in order to refund any amounts that are overpaid. However, the amount deposited to cover the estimated overpayment for FY 2008-09 was approximately \$1 million less than the amount needed to repay the full overpaid amount. Details regarding the amount set aside in the contingent liability account and the Health Agency's proposal to address this issue can be found in Section 1 of this report.

Social Services

As of the end of the third quarter, the Department of Social Services (DSS) is reporting that expenditures for Foster Care/Adoptions may exceed budgeted levels by approximately \$287,000 at year end, an improved forecast from the second quarter report which indicated expenditures could exceed \$500,000. This anticipated overage is due to several different factors, including an increase in both Foster Care and Adoptions caseloads, a continued decrease in the number of cases that are federally eligible, and the implementation of Extended Foster Care, which extended foster care benefits to youth up to age 21. A budget adjustment has been submitted to your Board to increase expenditure appropriations and bring in additional 1991 Realignment funds to cover the increased expenditures. There is no impact on the General Fund resulting from this issue.

In addition, DSS is reporting that they expect General Assistance expenditures to exceed budget by approximately \$110,300 at year end. General Assistance is a cash aid program to help needy individuals and families who are not eligible for assistance under other programs. In the current year, General Assistance caseloads are up 23% compared to the prior year due to the continued sluggish economy, an influx of transients from other areas, as well as the success of the Benefits-ARCH program which the County recently implemented to assist individuals in applying for SSI benefits. Fortunately, the success of Benefits-ARCH has also caused the department to be more successful in obtaining reimbursement for SSI expenditures. As a result, increased SSI reimbursement revenue will offset increased General Assistance expenditures with no need for additional General Fund support. A budget adjustment has been submitted to

your Board to increase expenditure appropriations and bring in unanticipated Supplemental Security Income (SSI) reimbursements to cover increased expenditures.

Library

As part of the FY 2009-10 Adopted Budget, a designation in the amount of \$1,698,552 was established in the General Building Replacement Fund (Fund Center 267) for the Cambria Library Replacement Project. These funds constitute a loan to the Library for a portion of the County's 50% share of the cost of this project and were used toward the purchase of the new library site in Cambria. Each year during the third quarter report, the Board is asked to approve a budget adjustment transferring revenue that has accumulated from Library Public Facility Fees (PFF) in Fund Center 247 to the General Building Replacement Fund to repay this loan. As of the end of the third quarter, \$133,611 in PFF revenue has been realized and it is recommended that the Board approve a budget adjustment to transfer this revenue to the General Building Replacement Fund. This action leaves a loan balance of \$1,196,676.

OTHER AGENCY INVOLVEMENT/IMPACT

All departments contributed to the development of this report. The Administrative Office, Human Resources Department, and the Auditor-Controller's Office compiled data from departments and other sources for the report.

FINANCIAL CONSIDERATIONS

Approval of the above recommendations will have a total impact to the General Fund of \$50,000 as the result of the adjustment for the Public Defender for a recent murder case.

Approval of the recommendations will also allow for a total of \$54,226.03 in gift funds and donations to be accepted on behalf of Animal Services, Parks, Library, and Social Services; and will discharge a total of \$71,983.10 of bad debt on behalf of the Public Works Department and Department of Social Services.

RESULTS

This report provides the Board of Supervisors and the public with an overview of the County's financial position at the end of the third quarter of Fiscal Year 2012-13.

ATTACHMENTS

1. FY 2012-13 3rd Quarter Financial Report
2. Dept. memos for gift funds
3. Dept. memos for relief of accountability
4. Dept. memos for miscellaneous budget adjustments and fixed asset list amendments
5. GSA Fleet memo - surplus vehicles
6. GSA and PW capital project updates
7. Annual debt review - memo from the Auditor-Controller